

MAHASKA COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-11
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	14-15
B Statement of Activities	16
Governmental Fund Financial Statements:	
C Balance Sheet	18-21
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	22
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-27
F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements:	
G Statement of Net Assets	29
H Statement of Revenues, Expenses, and Changes in Net Assets	30
I Statement of Cash Flows	31
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	32
Notes to Financial Statements	33-49
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	52
Budget to GAAP Reconciliation	53
Notes to Required Supplementary Information – Budgetary Reporting	54
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	56-57
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	58-59
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	60-63
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	64-67
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	69-70
SCHEDULE OF FINDINGS	71-77

MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Henry Van Weelden	Board of Supervisors	Jan. 2005
Lawrence Rouw	Board of Supervisors	Jan. 2007
Greg Gordy	Board of Supervisors	Jan. 2007
Kay Swanson	County Auditor	Jan. 2005
Sone Scott	County Treasurer	Jan. 2007
Diane Upton Crookham	County Recorder	Jan. 2007
Charles Van Toorn	County Sheriff	Jan. 2005
Charles Stream	County Attorney	Jan. 2007
Gary Smith	County Assessor	Jan. 2010
(After January 2005)		
Henry Van Weelden	Board of Supervisors	Jan. 2009
Lawrence Rouw	Board of Supervisors	Jan. 2007
Greg Gordy	Board of Supervisors	Jan. 2007
Kay Swanson	County Auditor	Jan. 2009
Sone Scott	County Treasurer	Jan. 2007
Diane Upton Crookham	County Recorder	Jan. 2007
Paul De Geest	County Sheriff	Jan. 2009
Charles Stream	County Attorney	Jan. 2007
Gary Smith	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Mahaska County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2006 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 17, 2006

Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$13,928,930 for 2005, an increase of 8% from 2004, or \$1,085,430. This increase was due primarily to an increase in property tax, \$500,000 in state allowable growth money for Mental Health and transfer of jurisdiction money from the state to Secondary Road. Property and other county taxes totaled \$6,249,202 for 2005.
- County governmental funds functional expenditures totaled \$12,677,038 for 2005, a slight increase of \$45,564 over the 2004 expenditures.
- The County's governmental fund balances at June 30, 2005 were \$13,397,857, an increase of \$1,301,392 due primarily to the above noted factors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

The County as a Whole Reporting

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basis financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Supplementary Information

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES

	2005	2004	2003
Current and other Assets	\$ 20,753,725	\$ 18,920,044	\$ 17,677,477
Capital assets	25,352,251	24,125,490	22,478,743
Total Assets	46,105,976	43,045,534	40,156,220
Long term debt outstanding	373,517	349,602	370,962
Other liabilities	7,037,351	6,610,313	5,687,950
Total liabilities	7,410,868	6,959,915	6,058,912
Net Assets			
Invested in capital assets	25,318,251	24,125,490	22,478,743
Restricted	10,836,265	9,654,635	9,358,870
Unrestricted	2,540,592	2,305,494	2,259,695
Total net assets	\$38,695,108	\$36,085,619	\$34,097,308

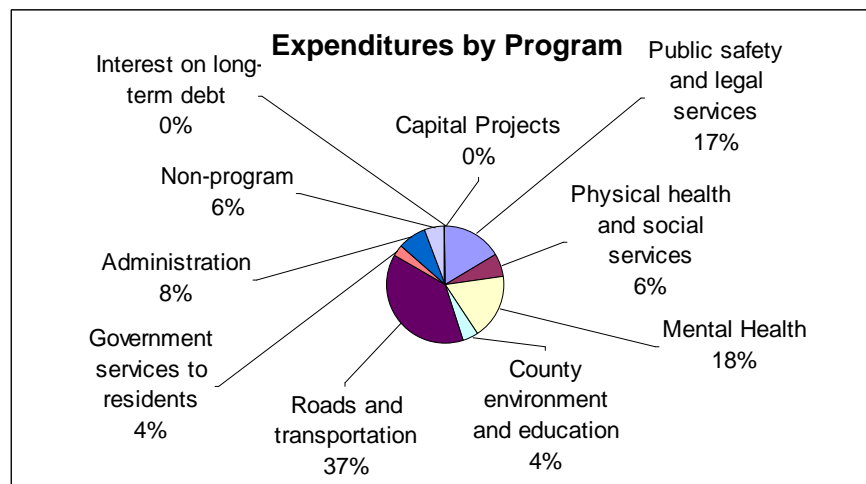
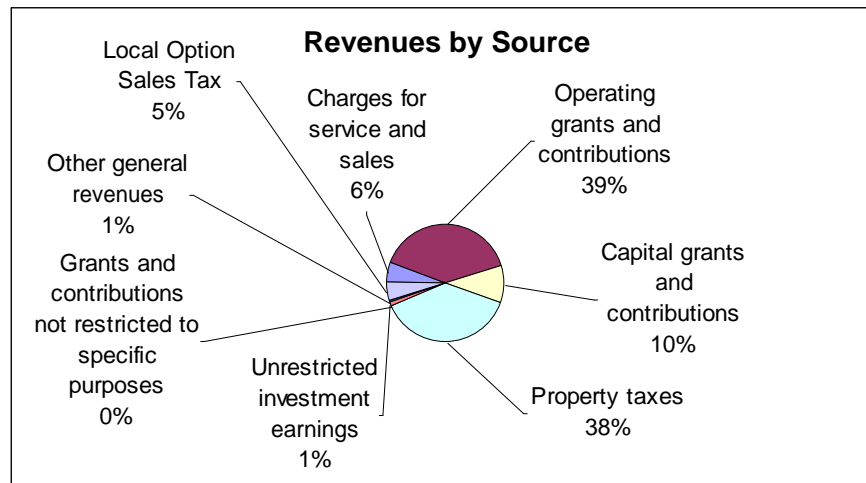
The County's combined net assets showed a 7.2% increase from a year ago from \$36,085,619 to \$38,695,108. The largest portion of the County's net assets is the Invested in Capital Assets (that is, and infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets of \$2,609,489 for governmental activities is mostly due to the following factors: Three state highways had their jurisdiction turned over to the County. The County has received revenue from the state for future maintenance on these roads which had a positive effect on net assets. The County's capital asset additions were approximately \$1,225,000 more than depreciation on all capital assets. This had a positive effect on net assets.

Changes in Net Assets of Governmental Activities

	2005	2004
Revenues:		
Program revenues:		
Charges for Service	\$901,618	\$ 1,241,928
Operating grants and contributions	6,134,042	5,485,564
Capital grants and contributions	1,583,448	2,354,479
General revenues:		
Property taxes	5,833,973	5,183,017
Grants and contributions not restricted to specific purposes		63,590
Unrestricted investment earnings	169,140	132,948
Local Option sales and services tax	764,545	686,370
Other general revenues	84,785	127,106
Total Revenues	\$15,471,551	\$15,275,002

	2005	2004
Program expenses:		
Public safety and legal services	\$2,155,487	\$ 2,498,009
Physical health and social services	770,518	763,970
Mental health	2,304,621	2,242,416
County environment and education	533,013	659,250
Roads and transportation	4,906,479	4,767,015
Government services to residents	456,433	419,893
Administration	968,471	1,077,352
Non-program	764,545	686,370
Interest on long-term debt	2,495	5,855
Capital Projects		166,561
Total expenses	\$12,862,062	\$13,286,691
Increase (decrease) in net assets	2,609,489	1,988,311
Net assets July 1, 2004	\$36,085,619	\$34,097,308
Net assets June 30, 2005	\$38,695,108	\$36,085,619



THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported combined fund balances of \$13,397,857. Revenue received in the County funds was \$1,251,892 more than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase from the prior year of \$82,242.

The County has continued to look for ways to effectively manage the cost of mental health services. Expenditures for the year totaled \$2,307,713, up \$65,243 from the year before. The Mental Health Fund balance at year end had increased by \$571,097, due to the fact that the county received \$500,000 allowable growth money from the state at the end of fiscal year 05.

Rural Services Fund revenues did not meet expenditures due to the full transfer to the Secondary Roads Fund and a decline in property tax values. Expenses in Public Safety and legal services were moved to Rural Services Fund from General Fund resulting in the Rural Services Fund ending fund balance decreasing by \$520,676. The property tax levy continued at \$3.25, which is below the maximum allowed of \$3.95.

Secondary Roads Fund capital project expenditures increased by \$312,691 over the previous year. The County has received payments each of the last three years from the state for maintenance of three state highways that the county has acquired. This money has not been expended which results in a \$1,132,368 increase in the Secondary Roads fund balance at the end of the year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 25, 2005 and resulted in an increase to Mental Health, MR & DD for disbursement of extra money received from the state; an increase to Roads & Transportation for disbursement of transfer of jurisdiction monies; and an increase to Non-program for local option sales taxes distributed to schools, as well as other smaller changes. The amendment increased total budgeted expenditures for the County by \$1,379,162, but also increased revenues by \$1,497,597. Disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the county budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, the County had \$25,352,251 (net of depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$1,226,761. Depreciation expense for the year ended June 30, 2005 was \$1,471,815 and total accumulated depreciation as of June 30, 2005 was \$17,740,460.

Capital Assets, Net of Accumulated Depreciation

	2005	2004
Land	\$ 652,224	\$ 597,224
Buildings and Imp	4,222,780	4,370,948
Machinery & equip	2,005,914	1,772,138
Infrastructure	18,471,333	17,385,180
TOTALS	\$25,352,251	\$24,125,490

Debt

At year-end, the County had \$373,517 in notes and other indentures compared to \$349,602 a year ago, as shown below.

Debt has decreased with annual payments made on the Intermediary Relending Program Loan from the USDA. Mahaska County is one of ten participating counties in the Southern Iowa Area Detention Service Agency (SIADSA) Capital Loan Note agreement. During the year ended June 30, 2005, the County retired \$16,500 of capital loan notes. As one of the ten participating counties, Mahaska County's share is 10%. The County is responsible for paying principal and interest on its share of the debt when SIADSA's revenue is insufficient to cover such debt payments. The County entered into an interest-free agreement with the Iowa Natural Heritage Foundation to purchase 51 acres of land for \$55,000.

Other obligations include accrued vacation pay and accrued compensatory time.

Outstanding Debt at Year End

	2005	2004
Capital Loan Notes	\$ 16,500	\$ 33,000
Intermediary Relending Program Loan	173,651	180,337
Compensated Absences	149,366	136,265
Real Estate Purchase	34,000	
TOTALS	\$373,517	\$349,602

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$14,275,194, a decrease of approximately 6% over the final 2005 budget. The County has added no new major programs to the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Mahaska County, and 106 S. 1st St., Oskaloosa, IA 52577.

This page intentionally left blank

Basic Financial Statements

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 13,694,288
Receivables:	
Property tax:	
Delinquent	11,181
Succeeding year	6,124,000
Interest and penalty on property tax	49,745
Accounts	93,149
Accrued interest	53,481
Due from other governments	348,342
Loans receivable (note 4)	113,791
Inventories	265,748
Capital assets, net of accumulated depreciation (note 5)	<u>25,352,251</u>
Total assets	<u>46,105,976</u>
Liabilities	
Accounts payable	215,266
Salaries and benefits payable	125,455
Due to other governments (note 6)	352,451
Accrued interest payable	751
Incurred but unpaid health claims	130,000
Deferred revenue:	
Succeeding year property tax	6,124,000
Other	89,428
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital loan notes	16,500
Intermediary Relending Program loan	6,753
Compensated absences	149,366
Portion due or payable after one year:	
Intermediary Relending Program loan	166,898
Real estate purchase agreement	<u>34,000</u>
Total liabilities	<u>7,410,868</u>

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 25,318,251
Restricted for:	
Supplemental levy purposes	289,035
Mental health purposes	569,499
Rural services	1,078,371
Secondary roads	7,586,803
Other special revenue purposes	1,312,557
Unrestricted	<u>2,540,592</u>
Total net assets	<u>\$ 38,695,108</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,155,487	\$ 234,477	\$ 149,976	\$ -	\$ (1,771,034)
Physical health and social services	770,518	15,273	168,453	-	(586,792)
Mental health	2,304,621	42,983	1,608,138	-	(653,500)
County environment and education	533,013	24,836	53,586	15,500	(439,091)
Roads and transportation	4,906,479	215,559	4,151,937	1,567,948	1,028,965
Government services to residents	456,433	343,238	-	-	(113,195)
Administration	968,471	25,252	1,567	-	(941,652)
Non-program	764,545	-	-	-	(764,545)
Interest on long-term debt	2,495	-	385	-	(2,110)
Total	\$ <u>12,862,062</u>	\$ <u>901,618</u>	\$ <u>6,134,042</u>	\$ <u>1,583,448</u>	<u>(4,242,954)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,318,391
Mental health					1,166,689
Penalty and interest on property tax					65,444
State tax credits					283,449
Local option sales and services tax					764,545
Unrestricted investment earnings					169,140
Miscellaneous					<u>84,785</u>
Total general revenues					<u>6,852,443</u>
Change in net assets					2,609,489
Net assets beginning of year					<u>36,085,619</u>
Net assets end of year					\$ <u>38,695,108</u>

See notes to financial statements.

This page intentionally left blank

MAHASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,732,299	\$ 812,757	\$ 1,108,260	\$ 7,269,230
Receivables:				
Property tax:				
Delinquent	7,089	2,332	1,760	-
Succeeding year	3,535,000	1,163,000	1,426,000	-
Interest and penalty on property tax	49,745	-	-	-
Accounts	54,414	28,562	-	8,631
Accrued interest	53,206	-	-	-
Due from other governments	21,223	-	-	212,969
Loans receivable (note 4)	-	-	-	-
Inventories	-	-	-	265,748
Total assets	\$ <u>6,452,976</u>	\$ <u>2,006,651</u>	\$ <u>2,536,020</u>	\$ <u>7,756,578</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,407,251	\$ 13,329,797
-	11,181
-	6,124,000
-	49,745
1,542	93,149
275	53,481
114,150	348,342
113,791	113,791
-	265,748
<u>\$ 1,637,009</u>	<u>\$ 20,389,234</u>

MAHASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 78,285	\$ 57,378	\$ 3,658	\$ 72,857
Salaries and benefits payable	65,398	5,435	11,328	43,294
Due to other governments (note 6)	-	205,462	-	-
Deferred revenue:				
Succeeding year property tax	3,535,000	1,163,000	1,426,000	-
Other	56,433	2,268	1,713	-
Total liabilities	<u>3,735,116</u>	<u>1,433,543</u>	<u>1,442,699</u>	<u>116,151</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	265,748
Revolving loan	-	-	-	-
Supplemental levy purposes	286,765	-	-	-
Cemetery levy	2,866	-	-	-
Designated for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Unreserved, reported in:				
General fund	2,178,229	-	-	-
Special revenue funds	-	573,108	1,093,321	7,374,679
Total fund balances	<u>2,717,860</u>	<u>573,108</u>	<u>1,093,321</u>	<u>7,640,427</u>
Total liabilities and fund balances	<u>\$ 6,452,976</u>	<u>\$ 2,006,651</u>	<u>\$ 2,536,020</u>	<u>\$ 7,756,578</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,088	\$ 215,266
-	125,455
146,989	352,451
-	6,124,000
113,791	174,205
<u>263,868</u>	<u>6,991,377</u>
-	265,748
429,239	429,239
-	286,765
-	2,866
-	15,000
-	35,000
-	200,000
-	2,178,229
943,902	9,985,010
<u>1,373,141</u>	<u>13,397,857</u>
<u>\$ 1,637,009</u>	<u>\$ 20,389,234</u>

MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 13,397,857
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$43,092,711 and the accumulated depreciation is \$17,740,460.	25,352,251
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	174,205
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	145,063
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(751)
Long-term liabilities, including notes, loans and purchase agreements payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(373,517)</u>
Net assets of governmental activities	<u><u>\$ 38,695,108</u></u>
See notes to financial statements.	

This page intentionally left blank

MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,062,754	\$ 1,166,816	\$ 1,255,087	\$ -
Interest and penalty on property tax	61,651	-	-	-
Intergovernmental	527,990	1,669,011	87,386	4,151,936
Licenses and permits	2,223	-	12,225	1,515
Charges for service	511,522	-	-	-
Use of money and property	224,976	-	50	-
Miscellaneous	75,014	42,983	49	214,044
Total revenues	4,466,130	2,878,810	1,354,797	4,367,495
Expenditures:				
Operating:				
Public safety and legal services	1,817,826	-	420,007	-
Physical health and social services	730,923	-	78,918	-
Mental health	-	2,307,713	-	-
County environment and education	404,466	-	136,514	-
Roads and transportation	-	-	17,440	4,051,034
Government services to residents	438,923	-	-	-
Administration	908,135	-	5,056	-
Non-program	-	-	-	-
Capital projects	15,500	-	-	519,246
Total expenditures	4,315,773	2,307,713	657,935	4,570,280
Excess (deficiency) of revenues over (under) expenditures	150,357	571,097	696,862	(202,785)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	1,335,153
Interfund transfers out (note 3)	(117,615)	-	(1,217,538)	-
Execution of real estate purchase agreement	49,500	-	-	-
Total other financing sources (uses)	(68,115)	-	(1,217,538)	1,335,153

Nonmajor Governmental			
Funds		Total	
\$	764,545	\$	6,249,202
	-		61,651
	53,612		6,489,935
	-		15,963
	16,943		528,465
	26,598		251,624
	-		332,090
	<u>861,698</u>		<u>13,928,930</u>
	-		2,237,833
	-		809,841
	-		2,307,713
	31,471		572,451
	-		4,068,474
	29,321		468,244
	-		913,191
	764,545		764,545
	-		534,746
	<u>825,337</u>		<u>12,677,038</u>
	<u>36,361</u>		<u>1,251,892</u>
	-		1,335,153
	-		(1,335,153)
	-		49,500
	<u>-</u>		<u>49,500</u>

MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 82,242	\$ 571,097	\$ (520,676)	\$ 1,132,368
Fund balances beginning of year	2,635,618	2,011	1,613,997	6,508,059
Fund balances end of year	<u>\$ 2,717,860</u>	<u>\$ 573,108</u>	<u>\$ 1,093,321</u>	<u>\$ 7,640,427</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 36,361	\$ 1,301,392
1,336,780	12,096,465
<u>\$ 1,373,141</u>	<u>\$ 13,397,857</u>

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 1,301,392

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,130,628	
Capital assets contributed by the Iowa Department of Transportation	1,567,948		
Depreciation expense	<u>(1,471,815)</u>		1,226,761

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

	Property tax	4,216	
Loan payments	<u>(30,357)</u>		(26,141)

Real estate purchase agreement proceeds provide current financial
resources to governmental funds, but issuing debt increases long-term
liabilities in the statement of net assets. (49,500)

Repayments of note, loan, and purchase agreement principal are
expenditures in the governmental funds, but the repayments reduce
long-term liabilities in the statement of net assets. 38,686

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

	Compensated absences	(13,101)	
Interest on long-term debt	<u>65</u>		(13,036)

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities.

131,327

Change in net assets of governmental activities \$ 2,609,489

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	Internal Service - Employee <u>Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>364,491</u>
Liabilities	
Incurred but unpaid health claims	130,000
Deferred revenue	<u>89,428</u>
Total liabilities	<u>219,428</u>
Net Assets	
Unrestricted	\$ <u><u>145,063</u></u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,181,266
Stop loss credits	32,006
Miscellaneous	16,944
Total operating revenues	<u>1,230,216</u>
Operating expenses:	
Medical claims	769,677
Dental claims	62,148
Vision claims	15,324
Stop loss insurance premiums	202,200
Insurance premiums	11,611
Service fees	25,596
Insurance filing fee	6,524
Miscellaneous	6,239
Total operating expenses	<u>1,099,319</u>
Operating income	130,897
Non-operating revenues:	
Interest on investments	<u>430</u>
Net income	131,327
Net assets beginning of year	<u>13,736</u>
Net assets end of year	<u>\$ 145,063</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,177,325
Cash received from stop loss reimbursements	32,006
Cash received from miscellaneous operating activities	16,943
Cash payments to suppliers for services	<u>(1,155,122)</u>
Net cash provided by operating activities	<u>71,152</u>
Cash flows from investing activities:	
Interest on investments	<u>430</u>
Net increase in cash and cash equivalents	71,582
Cash and cash equivalents at beginning of year	<u>292,909</u>
Cash and cash equivalents at end of year	<u>\$ 364,491</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 130,897
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in incurred but unpaid health claims	(55,803)
(Decrease) in deferred revenue	<u>(3,942)</u>
Net cash provided by operating activities	<u>\$ 71,152</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

Assets	
Cash and pooled investments:	
County Treasurer	\$ 940,281
Other County officials	100,179
Receivables:	
Property tax:	
Delinquent	42,947
Succeeding year	18,365,000
Accounts	910
Due from other governments	<u>43,134</u>
Total assets	<u>19,492,451</u>
Liabilities	
Accounts payable	63,178
Salaries and benefits payable	16,970
Due to other governments (note 6)	19,338,714
Trusts payable	51,778
Compensated absences	<u>21,811</u>
Total liabilities	<u>19,492,451</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

Mahaska County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mahaska County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Mahaska County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2005.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Mahaska County Assessor's Conference Board, Mahaska County Emergency Management Commission, and Mahaska County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transpiration function prior to the amendment of the County budget and disbursements in two departments exceeded the amounts appropriated prior to the amendment of the County appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Interest Rate Risk – The County's investment policy limits the investment of funds to instruments that mature in not more than one year and the maturities shall be consistent with the needs and use of the County.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 117,615
	Special Revenue: Rural Services	<u>1,217,538</u>
		<u>\$ 1,335,153</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Loans Receivable

The County has \$543,030 available to use for revolving loans for economic development within the County, of which \$113,791 was loaned at June 30, 2005. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2005, there were three outstanding loans. All payments are current.

Oskaloosa Food Products – interest free loan payable in annual installments of \$12,667 on February 15th.

Oskaloosa Area Chamber and Development Group – 4% interest loan payable in monthly installments of \$344, including interest.

World Food Processing – 5% interest loan payable in monthly installments of \$1,497, including interest.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 4. Loans Receivable (continued)

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Oskaloosa Food Products	Oskaloosa Area Chamber and Development Group	World Food Procesing	Less: Amount Representing Interest	Total
2006	\$ 12,667	\$ 4,011	\$ 17,966	\$ (3,396)	\$ 31,248
2007	12,666	4,011	10,480	(2,525)	24,632
2008	-	4,010	-	(2,285)	1,725
2009	-	4,010	-	(2,215)	1,795
2010	-	4,010	-	(2,142)	1,868
2011-2015	-	20,051	-	(9,503)	10,548
2016-2020	-	20,051	-	(7,170)	12,881
2021-2025	-	20,051	-	(4,325)	15,726
2026-2029	-	14,371	-	(1,003)	13,368
Balance End of Year	\$ <u>25,333</u>	\$ <u>94,576</u>	\$ <u>28,446</u>	\$ <u>(34,564)</u>	\$ <u>113,791</u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 597,224	\$ 55,000	\$ -	\$ 652,224
Capital assets being depreciated:				
Buildings	7,658,047	-	-	7,658,047
Machinery and equipment	5,722,196	698,015	217,863	6,202,348
Infrastructure	26,723,016	1,945,561	88,485	28,580,092
Total capital assets being depreciated	40,103,259	2,643,576	306,348	42,440,487
Less accumulated depreciation for:				
Buildings	3,287,099	148,168	-	3,435,267
Machinery and equipment	3,950,058	464,239	217,863	4,196,434
Infrastructure	9,337,836	859,408	88,485	10,108,759
Total accumulated depreciation	16,574,993	1,471,815	306,348	17,740,460
Total capital assets being depreciated, net	23,528,266	1,171,761	-	24,700,027
Governmental activities capital assets, net	\$ 24,125,490	\$ 1,226,761	\$ -	\$ 25,352,251

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 52,937
Physical health and social services	3,230
County environment and education	33,503
Roads and transportation	1,244,771
Government services to residents	926
Administration	<u>136,448</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,471,815</u></u>
--	----------------------------

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Special Revenue:				
Mental Health	Services	\$ 205,462	\$ -	\$ 205,462
Local Option Sales and Services Tax Revenue	Collections	<u>146,989</u>	<u>-</u>	<u>146,989</u>
		<u>352,451</u>	<u>-</u>	<u>352,451</u>
Total for governmental funds		<u><u>\$ 352,451</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 352,451</u></u>
Agency:				
County Hospital	Collections	\$ 22,245	\$ 1,697,399	\$ 1,719,644
County Assessor		153,811	175,351	329,162
Corporations		44,973	5,023,466	5,068,439
Schools		138,045	10,640,136	10,778,181
Area Schools		6,689	500,004	506,693
Auto License and Use Tax		407,533	-	407,533
All Other		<u>157,471</u>	<u>371,591</u>	<u>529,062</u>
Total for agency funds		<u><u>\$ 930,767</u></u>	<u><u>\$ 18,407,947</u></u>	<u><u>\$ 19,338,714</u></u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Loan Notes	Intermediary Relending Program Loan	Real Estate Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ 33,000	\$ 180,337	\$ -	\$ 136,265	\$ 349,602
Increases	-	-	49,500	149,366	198,866
Decreases	16,500	6,686	15,500	136,265	174,951
Balance end of year	<u>\$ 16,500</u>	<u>\$ 173,651</u>	<u>\$ 34,000</u>	<u>\$ 149,366</u>	<u>\$ 373,517</u>
Due within one year	<u>\$ 16,500</u>	<u>\$ 6,753</u>	<u>\$ -</u>	<u>\$ 149,366</u>	<u>\$ 172,619</u>

Capital Loan Notes Payable

Mahaska County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note agreement. Each member county issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to SIADSA, which secured \$2,300,000 of Capital Loan Notes issued by SIADSA. On May 1, 2004, \$330,000 of general obligation capital loan notes were issued to call the May 1, 1991 issue on June 1, 2004. SIADSA also contributed \$140,000 of reserve funds to reduce the principal amount. Each county's share in the remaining debt is 10%. The County is responsible for paying principal and interest on its share of the debt when SIADSA's revenue is insufficient to cover such debt payments.

A summary of the County's June 30, 2005 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2006	2.00 %	<u>\$ 16,500</u>	<u>\$ 330</u>

During the year ended June 30, 2005, the County retired \$16,500 of capital loan notes.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities (continued)

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the intermediary relending program loan repayment are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 6,753	\$ 1,736	\$ 8,489
2007	6,820	1,669	8,489
2008	6,888	1,601	8,489
2009	6,957	1,532	8,489
2010	7,027	1,462	8,489
2011-2015	36,202	6,243	42,445
2016-2020	38,049	4,396	42,445
2021-2025	39,989	2,456	42,445
2026-2028	<u>24,966</u>	<u>501</u>	<u>25,467</u>
Total	\$ <u>173,651</u>	\$ <u>21,596</u>	\$ <u>195,247</u>

Real Estate Purchase Agreement

During the year ended June 30, 2004, the County entered into an interest-free agreement with the Iowa Natural Heritage Foundation (Foundation) to purchase 51 acres of land for \$55,000. The County made a down payment of \$5,500 at the outset of the agreement. The Foundation purchased the land and held it for one year before selling it to the County during the year ended June 30, 2005. The agreement has no specific payment schedule.

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$224,013, \$228,505 and \$217,451, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Mahaska County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in the Heartland Insurance Risk Pool (Pool), a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operations. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$291,425.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2005, the risk pool maintained a surplus over the reserves and IBNR claims.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

Note 9. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Employee Group Services, Ltd. The agreement, which was effective June 1, 1983, is subject to automatic renewal provisions.

The County purchased commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$25,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the 2005 fiscal plan year.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest One Bank and Trust, trustee for the plan, from the Mahaska County Employee Group Health Fund. The trustee administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and Midwest One Bank and Trust. The County records the plan assets and related liabilities of the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$1,181,266.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

Note 10. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$130,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$145,063 at June 30, 2005 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2004	\$ <u>185,803</u>
Incurred claims (including claims incurred but not reported at June 30, 2005)	<u>791,346</u>
Payments	<u>847,149</u>
Unpaid claims at June 30, 2005	\$ <u><u>130,000</u></u>

Note 11. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a period which ends June 30, 2005. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming fiscal year.

Note 12. Contingent Liabilities

Hospital Notes

The County Hospital has issued General Obligation Refunding Notes in accordance with Chapter 331.402 of the Code of Iowa. The notes are payable primarily from revenue of the Hospital. The Hospital and the County entered into a Revenue Maintenance and Payment Agreement pursuant to which the Hospital agreed to maintain rates at levels high enough to produce sufficient revenues to pay the debt service on the notes. The County itself is only contingently liable for the payment of the notes pending default by the Hospital.

Hospital Revenue Bonds

The County Hospital has also issued Hospital Revenue Bonds in accordance with Chapters 331.402, 384.24A, and 331.443 of the Code of Iowa. These bonds are payable primarily from revenue generated by the Hospital, which has agreed to maintain rates which will generate sufficient revenues to make all principal and interest payments. The County itself is only liable upon default on the issue by the County Hospital.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 12. Contingent Liabilities (continued)

Litigation

The County is involved in one ongoing lawsuit. This case is now on appeal to the Supreme Court and the outcome cannot be determined at this time. The County's insurance carrier is affording coverage.

This page intentionally left blank

Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2005

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 6,238,952	\$ 6,293,358	\$ 6,409,193	\$ (170,241)
Interest and penalty on property tax	61,624	9,300	37,568	24,056
Intergovernmental	6,634,222	5,935,679	7,008,238	(374,016)
Licenses and permits	15,963	17,550	18,340	(2,377)
Charges for service	542,429	457,495	520,580	21,849
Use of money and property	225,835	257,400	280,341	(54,506)
Miscellaneous	320,784	221,064	415,183	(94,399)
Total receipts	<u>14,039,809</u>	<u>13,191,846</u>	<u>14,689,443</u>	<u>(649,634)</u>
DISBURSEMENTS:				
Public safety and legal services	2,219,025	2,661,437	2,675,797	456,772
Physical health and social services	809,850	868,999	976,296	166,446
Mental health	2,307,510	2,493,683	2,993,683	686,173
County environment and education	574,510	665,774	714,399	139,889
Roads and transportation	4,340,446	3,930,600	4,353,989	13,543
Government services to residents	465,198	474,834	501,973	36,775
Administration	974,364	1,079,145	1,210,017	235,653
Non-program	729,089	630,000	757,480	28,391
Capital projects	534,746	1,048,000	1,048,000	513,254
Total disbursements	<u>12,954,738</u>	<u>13,852,472</u>	<u>15,231,634</u>	<u>2,276,896</u>
Excess (deficiency) of receipts over (under) disbursements	1,085,071	(660,626)	(542,191)	1,627,262
Other financing sources, net	<u>49,500</u>	-	-	<u>49,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,134,571	(660,626)	(542,191)	1,676,762
Balance beginning of year	<u>12,195,226</u>	<u>10,397,589</u>	<u>10,397,589</u>	<u>1,797,637</u>
Balance end of year	<u>\$ 13,329,797</u>	<u>\$ 9,736,963</u>	<u>\$ 9,855,398</u>	<u>\$ 3,474,399</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 14,039,809	\$ (110,879)	\$ 13,928,930
Expenditures	12,954,738	(277,700)	12,677,038
Net	1,085,071	166,821	1,251,892
Other financing sources	49,500	-	49,500
Beginning fund balances	12,195,226	(98,761)	12,096,465
Ending fund balances	<u>\$ 13,329,797</u>	<u>\$ 68,060</u>	<u>\$ 13,397,857</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and internal service and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,379,162. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the County budget and disbursements in two departments exceeded the amounts appropriated prior to the amendment of the County appropriations.

Other Supplementary Information

MAHASKA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Assets				
Cash and pooled investments	\$ 9,597	\$ 11,593	\$ 35,494	\$ 429,239
Receivables:				
Accounts	1,307	-	-	-
Accrued interest	-	275	-	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	113,791
Total assets	<u>\$ 10,904</u>	<u>\$ 11,868</u>	<u>\$ 35,494</u>	<u>\$ 543,030</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 140	\$ -
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	113,791
Total liabilities	<u>-</u>	<u>-</u>	<u>140</u>	<u>113,791</u>
Fund equity:				
Fund balances:				
Reserved for:				
Revolving loan	-	-	-	429,239
Unreserved	10,904	11,868	35,354	-
Total fund equity	<u>10,904</u>	<u>11,868</u>	<u>35,354</u>	<u>429,239</u>
Total liabilities and fund equity	<u>\$ 10,904</u>	<u>\$ 11,868</u>	<u>\$ 35,494</u>	<u>\$ 543,030</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 32,839	\$ 706,793	\$ 181,696	\$ 1,407,251
-	-	235	1,542
-	-	-	275
114,150	-	-	114,150
-	-	-	113,791
<u>\$ 146,989</u>	<u>\$ 706,793</u>	<u>\$ 181,931</u>	<u>\$ 1,637,009</u>

\$ -	\$ -	\$ 2,948	\$ 3,088
146,989	-	-	146,989
-	-	-	113,791
<u>146,989</u>	<u>-</u>	<u>2,948</u>	<u>263,868</u>

-	-	-	429,239
-	706,793	178,983	943,902
-	706,793	178,983	1,373,141
<u>\$ 146,989</u>	<u>\$ 706,793</u>	<u>\$ 181,931</u>	<u>\$ 1,637,009</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	12,080	30,357
Charges for service	5,214	-	-	-
Use of money and property	77	274	182	9,061
Total revenues	<u>5,291</u>	<u>274</u>	<u>12,262</u>	<u>39,418</u>
Expenditures:				
Operating:				
County environment and education	-	-	645	9,490
Government services to residents	3,913	25,408	-	-
Non-program	-	-	-	-
Total expenditures	<u>3,913</u>	<u>25,408</u>	<u>645</u>	<u>9,490</u>
Excess (deficiency) of revenues over (under) expenditures	1,378	(25,134)	11,617	29,928
Fund balances beginning of year	<u>9,526</u>	<u>37,002</u>	<u>23,737</u>	<u>399,311</u>
Fund balances end of year	<u>\$ 10,904</u>	<u>\$ 11,868</u>	<u>\$ 35,354</u>	<u>\$ 429,239</u>

See accompanying independent auditor's report.

Local Option Sales and Services Tax Revenue		Law Enforcement Center Improvement		Conservation Land Acquisition		Total	
\$	764,545	\$	-	\$	-	\$	764,545
	-		-		11,175		53,612
	-		-		11,729		16,943
	-		8,726		8,278		26,598
	764,545		8,726		31,182		861,698
	-		-		21,336		31,471
	-		-		-		29,321
	764,545		-		-		764,545
	764,545		-		21,336		825,337
	-		8,726		9,846		36,361
	-		698,067		169,137		1,336,780
\$	-	\$	706,793	\$	178,983	\$	1,373,141

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	County Offices			City
	County Auditor	County Recorder	County Sheriff	Special Assessments
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	898
Other County officials	7,500	48,852	43,827	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	388	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>7,500</u>	\$ <u>49,240</u>	\$ <u>43,827</u>	\$ <u>898</u>
LIABILITIES				
Accounts payable	\$ -	\$ 36,251	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	12,989	-	898
Trusts payable	7,500	-	43,827	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>7,500</u>	\$ <u>49,240</u>	\$ <u>43,827</u>	\$ <u>898</u>

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 8,540	\$ 36	\$ 1,970	\$ 22,245	\$ 74,412	\$ 160,148	\$ 3,424
-	-	-	-	-	-	-
-	5	294	3,399	-	351	292
-	3,000	147,000	1,694,000	-	175,000	221,000
66	-	-	-	-	-	-
19,743	-	-	-	-	-	-
<u>\$ 28,349</u>	<u>\$ 3,041</u>	<u>\$ 149,264</u>	<u>\$ 1,719,644</u>	<u>\$ 74,412</u>	<u>\$ 335,499</u>	<u>\$ 224,716</u>
\$ 612	\$ -	\$ -	\$ -	\$ 9,051	\$ 1,618	\$ -
735	-	-	-	3,304	3,112	-
27,002	3,041	149,264	1,719,644	62,057	329,162	224,716
-	-	-	-	-	-	-
-	-	-	-	-	1,607	-
<u>\$ 28,349</u>	<u>\$ 3,041</u>	<u>\$ 149,264</u>	<u>\$ 1,719,644</u>	<u>\$ 74,412</u>	<u>\$ 335,499</u>	<u>\$ 224,716</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 44,973	\$ 138,045	\$ 6,689	\$ 420,512
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	15,466	22,136	1,004	-
Succeeding year	5,008,000	10,618,000	499,000	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>5,068,439</u>	\$ <u>10,778,181</u>	\$ <u>506,693</u>	\$ <u>420,512</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 12,979
Salaries and benefits payable	-	-	-	-
Due to other governments	5,068,439	10,778,181	506,693	407,533
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u>5,068,439</u>	\$ <u>10,778,181</u>	\$ <u>506,693</u>	\$ <u>420,512</u>

See accompanying independent auditor's report.

<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 84	\$ 367	\$ 57,528	\$ 3	\$ 407	\$ 940,281
-	-		-	-	100,179
-	-	-	-	-	42,947
-	-	-	-	-	18,365,000
-	-	-	-	456	910
-	-	23,391	-	-	43,134
<u>\$ 84</u>	<u>\$ 367</u>	<u>\$ 80,919</u>	<u>\$ 3</u>	<u>\$ 863</u>	<u>\$ 19,492,451</u>
\$ -	\$ -	\$ 2,667	\$ -	\$ -	\$ 63,178
-	-	9,819	-	-	16,970
-	-	48,229	3	863	19,338,714
84	367	-	-	-	51,778
-	-	20,204	-	-	21,811
<u>\$ 84</u>	<u>\$ 367</u>	<u>\$ 80,919</u>	<u>\$ 3</u>	<u>\$ 863</u>	<u>\$ 19,492,451</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2005

	County Offices			City
	County Auditor	County Recorder	County Sheriff	Special Assessments
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 44,616	\$ 32,413	\$ 698
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	-
State and federal grants	-	-	-	-
Office fees and collections	2,236	308,316	190,783	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	22,654
Trusts	-	-	695,961	-
Miscellaneous	-	-	-	-
Total additions	2,236	308,316	886,744	22,654
Deductions:				
Agency remittances:				
To other funds	2,236	143,110	190,332	-
To other governments	-	160,577	451	22,454
Trusts paid out	-	5	684,547	-
Total deductions	2,236	303,692	875,330	22,454
Balances end of year	\$ 7,500	\$ 49,240	\$ 43,827	\$ 898

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ <u>32,536</u>	\$ <u>3,053</u>	\$ <u>145,644</u>	\$ <u>1,643,104</u>	\$ <u>64,300</u>	\$ <u>335,629</u>	\$ <u>219,696</u>
-	2,648	148,718	1,714,559	-	176,885	226,133
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	138	7,551	85,278	-	6,197	11,236
74,387	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	567	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,639	-	-	-	170,601	1,083	-
<u>96,026</u>	<u>2,786</u>	<u>156,269</u>	<u>1,799,837</u>	<u>171,168</u>	<u>184,165</u>	<u>237,369</u>
-	-	-	-	-	-	-
100,213	2,798	152,649	1,723,297	161,056	184,295	232,349
-	-	-	-	-	-	-
<u>100,213</u>	<u>2,798</u>	<u>152,649</u>	<u>1,723,297</u>	<u>161,056</u>	<u>184,295</u>	<u>232,349</u>
\$ <u>28,349</u>	\$ <u>3,041</u>	\$ <u>149,264</u>	\$ <u>1,719,644</u>	\$ <u>74,412</u>	\$ <u>335,499</u>	\$ <u>224,716</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2005

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>	<u>Bankruptcy Trust</u>
ASSETS AND LIABILITIES					
Balances beginning of year	\$ <u>4,770,125</u>	\$ <u>10,479,432</u>	\$ <u>493,115</u>	\$ <u>411,289</u>	\$ <u>84</u>
Additions:					
Property and other County tax	4,955,046	10,734,680	505,566	-	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	238,675	543,824	25,517	-	-
State and federal grants	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	119,205	-
Auto licenses, use tax and postage	-	-	-	4,960,717	-
Interest	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>5,193,721</u>	<u>11,278,504</u>	<u>531,083</u>	<u>5,079,922</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	261,102	-
To other governments	4,895,407	10,979,755	517,505	4,809,597	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>4,895,407</u>	<u>10,979,755</u>	<u>517,505</u>	<u>5,070,699</u>	<u>-</u>
Balances end of year	\$ <u><u>5,068,439</u></u>	\$ <u><u>10,778,181</u></u>	\$ <u><u>506,693</u></u>	\$ <u><u>420,512</u></u>	\$ <u><u>84</u></u>

See accompanying independent auditor's report.

<u>Unclaimed Property</u>	<u>Clearing</u>	<u>Tax Sale Redemption Trust</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 271	\$ -	\$ -	\$ 98,531	\$ 14	\$ 2,660	\$ 18,784,710
-	-	-	-	-	-	18,464,235
-	-	-	86,259	-	-	86,259
-	-	-	324,880	-	-	324,880
-	-	-	-	-	-	918,416
-	-	-	-	-	-	74,387
-	-	-	-	-	5,214	506,549
-	-	-	-	-	-	119,205
-	-	-	-	150	-	4,960,867
-	-	-	840	-	8	1,415
-	-	-	-	-	-	22,654
281	28	328,051	-	-	-	1,024,321
-	-	-	4,854	-	-	198,177
281	28	328,051	416,833	150	5,222	26,701,365
-	-	-	-	8	-	596,788
-	-	-	434,445	153	7,019	24,384,020
185	28	328,051	-	-	-	1,012,816
185	28	328,051	434,445	161	7,019	25,993,624
\$ 367	\$ -	\$ -	\$ 80,919	\$ 3	\$ 863	\$ 19,492,451

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2005	2004	2003	2002
Revenues				
Property and other County tax	\$ 6,249,202	\$ 5,522,922	\$ 5,375,491	\$ 5,723,524
Interest and penalty on property tax	61,651	65,096	64,625	62,028
Intergovernmental	6,489,935	6,187,895	6,601,929	4,805,153
Licenses and permits	15,963	14,978	13,623	20,805
Charges for service	528,465	559,880	468,084	420,664
Use of money and property	251,624	230,849	281,982	422,341
Fines, forfeitures and defaults	-	-	-	8,535
Miscellaneous	332,090	261,880	280,391	257,325
Total revenues	<u>\$ 13,928,930</u>	<u>\$ 12,843,500</u>	<u>\$ 13,086,125</u>	<u>\$ 11,720,375</u>
Expenditures:				
Operating:				
Public safety and legal services	2,237,833	2,521,125	2,464,979	2,398,914
Physical health and social services	809,841	767,076	777,045	798,933
Mental health	2,307,713	2,242,470	2,393,564	2,402,420
County environment and education	572,451	639,503	618,372	522,705
Roads and transportation	4,068,474	4,155,566	3,332,295	3,256,841
Government services to residents	468,244	429,726	389,871	368,589
Administration	913,191	983,083	946,639	900,530
Non-program	764,545	686,370	644,244	312,054
Debt service	-	-	8,490	1,350,476
Capital projects	534,746	206,555	150,314	314,967
Total expenditures	<u>\$ 12,677,038</u>	<u>\$ 12,631,474</u>	<u>\$ 11,725,813</u>	<u>\$ 12,626,429</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Mahaska County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mahaska County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 17, 2006

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-05 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

I-B-05 Disbursements – Out of forty-one disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – This disbursement was a payment from a charge card statement without accompanying receipts. We will make sure that future disbursements are properly supported by an invoice or receipt.

Conclusion – Response accepted.

I-C-05 Sheriff's Office Forfeiture Account – The Sheriff's office receives collections from forfeited items in an account at the Sheriff's office. A portion of this money is given to the State of Iowa and the City for their share of the forfeiture. The remaining funds are used by the Sheriff's office to purchase investigative equipment and supplies. The County currently does not budget for this revenue or expense.

Recommendation – In order to establish better controls over this forfeiture money, we recommend that the County establish a new Forfeiture Special Revenue Fund and have the Sheriff deposit this money into it. It would have its own budgetary department and would not be mixed with General Fund money. The Sheriff would then submit a claim against this fund when purchases are made. As long as the purchase is used to assist the Sheriff's office investigations and is not fraudulent in nature, the Board of Supervisors can not deny the claim.

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-C-05 Sheriff's Office Forfeiture Account (continued)

Sheriff's Office Response – We will discuss this recommendation with the County Auditor and Board of Supervisors and determine the best way to handle this account.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted in any of the ten County functions at year end. However, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the County budget. Also, disbursements in two departments (information technology and North Square building) exceeded the amounts appropriated prior to the amendment of the County appropriations.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-05 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Roger Swanson, Spouse of County Auditor, Owner of Swanson TV Repair	Repairs	\$ 217

In accordance with Chapter 331.342 of the Code of Iowa, this transaction does not appear to represent a conflict of interest.

- II-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

MAHASKA COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-H-05 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy. However, the interest rate on one certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – The County should be aware of the current allowable rates to insure that at least the minimum rate is received for all investments. The County should contact the bank and obtain the difference in interest between the minimum rate and the rate actually paid on the certificate of deposit.

Response – We have already contacted the bank and have received the additional interest.

Conclusion – Response accepted.

- II-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- II-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

The County Extension organization has grant agreements with Iowa East Central T.R.A.I.N. to provide child care resource and referral services. Revenues from these grants totaled \$89,932 for the year ended June 30, 2005. They included a Child Care and Development Provider Training Grant of \$9,800, a Child Care and Development Operating Grant in the amount of \$52,132, an Educational Opportunities for Family Child Care Providers Grant of \$8,000, and a Parent Expansion Grant of \$20,000.

We noted the following items:

- 1) The minutes of one Council meeting were not signed as required by Chapter 176A.14(3) of the Code of Iowa.
- 2) Some receipts were not deposited timely, but were held undeposited for as long as seventeen days for both the regular operating account and the Childcare Resource and Referral account.
- 3) One disbursement tested was only partially supported by an invoice or receipt.

Recommendations – All Council minutes should be signed to comply with Chapter 176A.14(3) of the Code of Iowa. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum. All disbursements should be adequately supported by an invoice, receipt, or other written documentation.

MAHASKA COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

II-J-05 County Extension Office (continued)

Response – We will properly sign all Council minutes in the future. We are now depositing receipts weekly. We will make sure that all disbursements are properly supported.

Conclusion – Response accepted.

II-K-05 Treasurer's Semi-annual Report – The County's Treasurer's semi-annual report for the six months ended June 30, 2005 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded on the first day of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

II-L-05 Self-Insured Health Fund – Chapter 509A of the Code of Iowa requires a Certificate of Compliance to be filed with the Insurance Division of the Iowa Department of Commerce within 90 days after a self-insurance plan's fiscal year end. The County's Certificate of Compliance was filed eight days late.

Recommendation – The County should insure that all compliance requirements are met for the self-funded health insurance plan.

Response – The report was filed late because the plan administrator did not provide the required information to the actuary in a timely manner. We will make sure the report is filed timely in the future.

Conclusion – Response accepted.

II-M-05 Debt Service Payments – We noted that payments made by the County for the capital loan note, Intermediary Relending Program loan, and real estate purchase agreement were made through the physical health and social services, County environment and education, and capital projects functions.

Recommendation – All payments made by the County to retire notes, loans, or purchase agreements should be budgeted and paid through the debt service function of the County in the fund from which it is paid.

Response – We will properly budget and account for these debt payments in the future.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-N-05 E-911 Surcharge – The E-911 surcharge calculation was not performed as required by Chapter 34A.7(5)(b)(3) of the Code of Iowa. The approved surcharge should have been \$10,807 less than what was actually approved.

Recommendation – The County should perform the E-911 surcharge calculation as part of the E-911 budget process. The County should contact the Iowa Department of Public Defense and the Department of Management to resolve the E-911 surcharge overage.

Response – We will properly perform the E-911 surcharge calculation in the future. We will contact the Iowa Department of Public Defense and the Department of Management to resolve the E-911 surcharge overage.

Conclusion – Response accepted.

- II-O-05 Secondary Roads Fund Balance – We noted that the Special Revenue, Secondary Roads Fund has an ending fund balance that is 1.67 times the current year's expenditures.

Recommendation – The County Engineer and Board of Supervisors should develop a plan for the use of these funds, or the County should consider reducing the transfers into the Secondary Roads Fund from the General Basic and Rural Services Funds. Any time a fund's ending balance exceeds its current year expenditures, we recommend that the Board document why these monies are being accumulated or consider reducing the revenue source for that fund.

Response – We will develop a plan for the use of these funds.

Conclusion – Response accepted.

- II-P-05 Credit Cards – The County has credit cards and charge cards for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should prepare and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.